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Attorneys for Plaintiff
Shoreline Capital Management, Ltd.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

SHORELINE CAPITAL MANAGEMENT,
LTD., a British Virgin Islands company
limited by shares,

No. JW CV 08 0121

Plaintiff,

vs.

XIAOBING SUN, an individual, also known
as DANIEL SUN,

DECLARATION OF XIAOLIN ZHANG
SUPPORTING *EX PARTE* APPLICATION
FOR TRO AND OSC RE PRELIMINARY
INJUNCTION, AND FOR ORDER
GRANTING LEAVE TO CONDUCT
EXPEDITED DISCOVERY

Defendant.

I, Xiaolin Zhang, say:

1. I am Xiaolin Zhang, partner of Guangzhou United Co., Ltd (GU) and Shoreline Capital Management, Ltd. (Shoreline). GU is the onshore agent of Shoreline Capital Consulting (Shenzhen) Co., Ltd. (Shoreline Shenzhen), the wholly-owned subsidiary of Shoreline that is the Plaintiff in this action. GU's agency contract with Shoreline Shenzhen is for the sole purpose of employing Shoreline personnel and it is 100% funded by Shoreline. I have

1 personal knowledge of the matters set forth in this Declaration and would competently testify to
2 them if called as a witness.

3
4 2. Xiaobing Sun joined Shoreline on March 28, 2007 and was never fired and
5 did not resign from Shoreline. The last time Xiaobing Sun appeared at Shoreline was on
6 September 28, 2007 when he returned a laptop he had used as a Shoreline employee. The laptop
7 belongs to Shoreline. Shoreline started to train Xiaobing Sun right after his arrival as he had no
8 experience in non-performing loans in China. During the training period, Xiaobing Sun
9 suggested to me several times that I should introduce him to all my contacts with presidents of
10 deal sellers, which are four state-owned asset management companies. He even suggested that I
11 travel with him to meet presidents of these vendor companies. He also asked me to train him
12 regarding US dollar repatriation issues which are key to setting up a similar investment fund. No
13 other employees in Shoreline had ever asked me to do these things. As a new employee who
14 knew little about the non-performing loan business, what Xiaobing Sun did was strange, as he
15 should have focused first on acquiring legal knowledge and the skills of financial valuation
16 related to Shoreline's business.

17
18 3. While Xiaobing Sun was an employee at Shoreline, several employees told
19 me that he had told other employees that it would be easy for him to raise a similar fund.
20 Xiaobing Sun even told me that it would be easy for him to raise a similar fund and source deals
21 in China. Xiaobing Sun asked me several times to send him Shoreline's Private Placement
22 Memorandum (PPM) one month after he joined Shoreline. As the PPM is Shoreline's
23 confidential material and it was not proper for an employee to ask for this document, I refused his
24 request. Benjamin Fanger also told me that he felt it was odd for an employee to ask for a PPM
25 from Shoreline partners.

1 4. On July 17, 2007, Xiaobing Sun, via email, suggested to me that he should
2 be in charge of communication with sellers, investors, LPs and co-investors in Shoreline. All
3 these responsibilities are key to setting up a fund similar to Shoreline.

4
5 5. In December 2007, two Shoreline LPs notified us that Daniel (Mr. Sun)
6 and Qiang Du had contacted them. Daniel and Qiang Du got to know them while they were at
7 Shoreline when LPs visited Shoreline's Guangzhou office. Daniel got the LPs' name cards
8 during a Shoreline meeting. In emails to our LP, Daniel claimed that he had set up his own fund
9 doing the same business as Shoreline.

10
11 6. On December 20, 2007, I called Qiang Du and asked him if he was
12 involved in Daniel's company. Qiang Du and Xiaobing Sun both claimed to be co-founders of
13 Rongteng Investment Co., or Asia LTI in the PPM Xiaobing Sun sent to Shoreline's LPs. Qiang
14 Du told me that he had seen Xiaobing Sun send Shoreline's portfolio files, pricing materials and
15 financial analysis models to Xiaobing's friend working at Goldman Sachs and Xiaobing Sun did
16 so to convince this friend to join Rongteng. All these portfolios are still under the management
17 of Shoreline and GU and the information Xiaobing Sun sent to his friend at Goldman Sachs was
18 confidential. Revealing these documents and information seriously hurt Shoreline and its
19 investors' interests. Qiang Du also told me that he had already broken up with Xiaobing Sun as
20 he found that Xiaobing Sun was a dishonest person.

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22 7. On January 10, 2008, I met Feng Lin who identified Xiaobing Sun in
23 Rongteng's PPM as member of Rongteng. Feng Lin admitted in writing that, while working with
24 Xiaobing Sun at Rongteng, he saw Xiaobing Sun keep Shoreline's financial models, Excel
25 spreadsheets and loan documents in Xiaobing Sun's laptop computer. When Feng Lin saw those
26 materials in Xiaobing Sun's laptop, Xiaobing Sun had already left Shoreline and started working
27 for Rongteng, a competing business. Jianping Zhou, a partner at Rongteng, and also an
28

1 An employee of Shoreline, told Leng Lin that he took out all Shoreline's loan files, portfolio
 2 of all loan spreadsheets, and financial models and planned to sell them for money. Leng Lin
 3 also informed Lin Xiaohua, Sun went to meet Shoreline's customer, Huorong, via
 4 McAfee email, using an email address Shoreline's name but for Ren Leng's business. Leng Lin also
 5 admitted to state that he partnered with Xiaohua Sun doing due diligence on
 6 the department's copy of the copy. Leng Lin agreed that Xiaohua Sun had broadcast the
 7 company's confidential agreements he had signed with Shoreline.

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 9 Leng Lin is a citizen and permanent resident of the United States and the
 10 plaintiff's attorney.

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